

PRESS CONFERENCE
AND
REMARKS OF ANNE BINGAMAN
ASSISTANT ATTORNEY GENERAL
U.S. DEPARTMENT OF JUSTICE

Monday, April 3, 1995

12:30 p.m.

DEPARTMENT OF JUSTICE

VOICE: -- The CEO of AT&T, James Crowe, from MFS, and I'm not sure, but James Kimmelman from Consumers' Union -- he was scheduled to be with us. There are kits right on the table in the hallway just outside the door. So, those in addition to the Attorney General and Anne Bingaman are likely to be the speakers.

(Pause.)

ATTORNEY GENERAL RENO: For all who use the telephone, something truly significant has happened today. We are taking the first big step to ensure that competition, which has been the hallmark of long distance service, is introduced in local telephone service. Competition means better service, better products, lower prices for consumers in America.

Today, the Justice Department has reached agreement with the Ameritech Corporation, a regional phone company in the Midwest under which Ameritech, if the court approves, will end its monopoly over local telephone service. Once that is achieved to our satisfaction, Ameritech will be allowed to enter the long distance market in its part of the country.

This is a milestone moment in moving forward from the court degree 13 years ago that brought us to a whole new world of phone competition in the long distance business, but left local service noncompetitive. State public utility commissions, such as the ones in Illinois and Michigan, are working hard to protect consumers, but we all know nothing works better than a healthy dose of competition.

If approved by the court, today's agreement would open up this new competition in Chicago, Illinois and Grand Rapids,

Michigan on a trial basis. If it works, and we believe it can and will, it could be the model for the next revolution in the telecommunications service. It's a two-way street in which both local and long distance companies will now be able to enter each other's markets -- the kind of competition we all believe in.

We owe thanks to those who worked so hard on this agreement. Hours and hours went into this effort. Ameritech, AT&T, MFS, an emerging provider of local service, and especially the Antitrust Division of the Department of Justice, and Anne Bingaman, who I would like to call on now.

ASSISTANT ATTORNEY GENERAL BINGAMAN: This is a historic day for all of us. We feel a tremendous sense of achievement and, in all honesty, elation because these are difficult issues with many interests at stake -- interests of consumers, of competition, of the companies involved in providing the best service to customers at the lowest prices.

We have here today a truly incredible array of people whose interests are involved here, and without further ado, and I would be glad to answer any questions, I would like to introduce first Dick Notabaert, President and CEO of Ameritech who has played a big, big role in all of this.

MR. NOTABAERT: Thank you. First of all, I would like to thank the Attorney General Janet Reno, and especially Assistant Attorney General Anne Bingaman, who has played such a strong role in bringing this to a reality to this point, in sending it over to Judge Greene.

The Justice Department action I think is a major win for consumers. This action has the ability to dismantle a major roadblock to the development of the information superhighway, and that's key to customers. It will enable competition at all levels within Illinois and Michigan, starting with Chicago and Grand Rapids -- a test ground, with the court's approval, for Ameritech to enter into the long distance business and unbundle its local network.

Today's action marks a point in time when customers will enjoy the true benefits of competition -- lower prices, higher quality, more choices in long distance and in local communications services. If you think about it, even a slightly lower price in long distance services means hundreds of millions of dollars to customers.

Ameritech is committed to full, fair, and open competition. We are optimistic about obtaining the approval from the U.S. District Court from Judge Greene, and meeting all the terms set forth by the Justice Department in its recommendation. We would urge the court to move swiftly to remove the road block, to allow customers more competition, to bring a true and ultimate competitive marketplace.

We are ready, as soon as approval is granted, to bring to customers convenient one stop shopping for communications services. Today's action brings that day closer.

I again want to commend the Justice Department for their outstanding work. This has been an 18-month journey. It has

been tedious and it has been consuming for all of us who have been involved. It has been an outstanding piece of work.

ASSISTANT ATTORNEY GENERAL BINGAMAN: Thank you very much, Dick. And now we're honored to have both Dick and Bob Allen, President and CEO of AT&T, who of course is a party to the consent decree along with us and Ameritech. We all signed the stipulation at 11:00 this morning, filed it with the Federal District Court, and provided a copy to Judge Greene, and Bob Allen is here to speak for AT&T.

MR. ALLEN: Thank you, Anne, Attorney General Reno. Ladies and gentlemen, I am pleased to be a part of this announcement today and a supporter of this experiment.

As some of you may recall, I've been saying for years that the way out of the MFJ was to eliminate the local monopoly bottlenecks. For some time now I have also been calling for a responsible test of local exchange competition to see which technical, economic, and marketing arrangements or conditions might make that happen.

This arrangement is precisely such a test. It is narrowly drawn in Chicago and Grand Rapids. It has important preconditions to local competition. Among its requirements are unbundling, dialing parity, number of portability, and commercially feasible resale just to name a few. And it gets the sequence right.

That is to say, first we see actual competition developing in the local exchanges. And when that occurs, and only then,

Ameritech may begin long distance service. And I might add, paraphrasing what my colleague said just a little bit ago, one can see with just slight price reductions in a local exchange there are hundreds of millions of dollars.

(Laughter.)

MR. ALLEN: In any event, the trial will also be accompanied by appropriate safeguards and close supervision by the DOJ.

I should make it clear that we do not consider this or regard this as a model for RBOC long distance in numerous additional cities, nor do we see it without additional conditions as a complete model for imminent nationwide relief. But the framework is solid so far as it goes.

The Justice Department's administration of local competition tests clearly should be a part of any national legislation. But the local exchange monopolies are so pervasive and so powerful that an even more comprehensive set of local entry conditions would have to be spelled out in the bill applicable to all the Regional Bell Operating Companies.

We should all regard this for exactly what it is. It is a test, an experiment. We will give it a try. We will gather the data. We will make some assessments. And then we'll decide where to go next.

I do want you all to know how earnestly I hope the trial succeeds, not just for my own company's sake, although we will in fact participate in the trial with AT&T local service. But because competition is a better deal for the local consumer, it

brings choice, lower prices, more features, faster innovation -- all of the things that consumers currently enjoy in the competitive long distance market.

In my opinion, this trial represents good public policy, the right kind of evolution of our industry, and a high value proposition for the American consumer.

And we, too, especially appreciate the vigorous efforts of Ms. Bingham and the Department of Justice to get us all this far down the road.

Thank you very much.

ASSISTANT ATTORNEY GENERAL BINGAMAN: Thank you, Bob. And now we have with us today Mr. James Crowe, who is President and CEO of MFS, a major alternative provider of telecommunications service.

MR. CROWE: Thank you, Ms. Bingham. Since my firm might be just slightly less well known than some of the others represented here today, a quick introduction might be in order.

My company, MFS Communications, is one of the new entrants that the proposed order announced here today will allow to enter new markets, to compete, and to grow. I think it's important to remember that when technology and markets change quickly, as they certainly are in communications today, it is often the new entrants, the entrepreneurial upstarts, and not just the more mature enterprises that create value for American investors and jobs for American workers.

It is on behalf of these new companies, whose names we may

not yet know -- but I want to thank Assistant Attorney General Anne Bingaman. Without her persistence, her patience, and most of all her vision today's historic announcement simply would not have happened.

This proposed order is a major step in the regulatory revolution taking place in our industry. However, these policies should be viewed against the backdrop of a change in communications just as fundamental as the shift from the telegraph to the telephone. Broadband network, national information infrastructure, information superhighway -- call it what you will, the impact of this revolution, while perhaps falling short of the rhetoric and the hype of the very near term, will from a longer perspective almost certainly exceed the ability of even the most visionary to perceive.

Viewed from this longer horizon, we will see advances in learning, in productivity, in the way that Americans communicate with each other that we are just beginning to explore and imagine.

If we are to fully realize the promise of today's announcement, I think it is important to keep in mind that this event is not the end, it's the beginning -- the beginning a long, complicated process. General Bingaman and the Justice Department have done the early heavy lifting. Now many in the industry must do theirs if competition is to flourish.

If each of the participants represented here today remembers that open, fair competition is the key to innovation and growth,

and that monopoly inevitably leads to stagnation and decline for all, then each of our companies can be the winner. But more importantly, if competition and innovation flourish every American at home and every American at work will fully realize the many benefits of tomorrow's communications systems, which are certainly brought a step closer by today's historic announcement.

Thank you.

ASSISTANT ATTORNEY GENERAL BINGAMAN: Finally we have Jean Kimmelman, who is -- is that title president? I don't know your title. Director? Co-Director of the Consumer's Union who has followed this closely and has commented extensively on the numerous drafts of this that have been considered for over a year now.

MR. KIMMELMAN: Thank you. On behalf of consumers across the Nation, I want to thank Attorney General Reno, Assistant Attorney General Bingaman, for bringing forward a new concept in obtaining maximum competition in telecommunications for consumers.

Consumer's Union believes that this proposal today is truly a model for ensuring that consumers all around the country will have choice for the first time in their local telephone service. This model brings forward a key concept, and that is that the private players in this industry must have the appropriate incentives -- the appropriate incentives in the marketplace, not through regulation, not through Government intervention, but marketplace incentives to offer consumers new services and better

services at lower prices.

This will yield actual choice -- local service from multiple carriers for consumers. The first time in the history in this country. We applaud this effort.

The most important aspect of this new model that the Justice Department has put forward is that it ensures that all of the conditions necessary for obtaining competition in a current monopoly are achieved, not just in theory, not just hypothetically, but in actuality, that we actually can choose from among different carriers providing local phone service before other changes take place in this crucial information marketplace.

It ensures that consumers, rate-payers, both businesses and residential users of telephone service, are not abused; do not pay inflated rates, do not subsidize the services of a monopoly. It ensures that all competitors can work under the same fair terms and conditions in entering the local telephone service market. This model has all the factors in the appropriate order, with the appropriate emphasis on consumer protection and competition.

We applaud not just the efforts of the Justice Department in this effort, but the private parties -- Ameritech for coming forward and offering to open up its local monopoly, a historic event, in order to be able to move into the long distance market, and AT&T, the party to the consent decree, for responding appropriately that competition is the answer. And from the

consumer perspective we would be happy to see Ameritech drive down our long distance rates, and AT&T help drive down our local rates.

Once again I applaud the efforts of Attorney General Reno and Anne Bingaman, Head of the Antitrust Division. Thank you.

ASSISTANT ATTORNEY GENERAL BINGAMAN: Thank you. And I would be remiss and not a worthy human being if I acted as if I did this, because the truth is I did not. I want to say the world and to everyone here what the people standing here know, which is Bob Litan, who is now at OMB and is here today, is the person who originally grasped this vision, and he and Will Tom, who is also here, have worked tirelessly and endlessly for well over a year, had innumerable meetings, trips to the Midwest to meet with State regulators on many occasions.

I want to thank Tom Hester and Mark Gitenstein from Ameritech who put this forward and stayed there, and John Ziglitz and Mark Rosenbloom from AT&T who also participated every step of the way, and Gene Kimmelman and Mark Cooper at the Consumers' Union.

There were many, many other people, but of the people here today I want to say I am a footnote to this. That's really the truth. I'm visible but the hard, hard, hard work was done by the people I've just named.

So, thank you all very much, and we all take any and all questions. So, do you all want to get a little closer, so they can see you? Come on over, Bob, and Jim. Why don't you folks

gather around here real close and we'll answer anything they have to say.

VOICE: I have a question. I want to confirm. Is this essentially the same proposed order as the one Ameritech filed about 10 days ago? And the corollary to that, what input did AT&T and MFS have on the final version of the proposed order?

ASSISTANT ATTORNEY GENERAL BINGAMAN: We met with AT&T. We've been meeting with them since last Wednesday, I would say, almost nonstop. The final order is not identical. It's similar because we felt comfortable with the basic framework. It's different in details, and you can compare them yourself.

AT&T was in our offices until 8:00 last night, as a matter of fact, and Ameritech was on the phone. So, like any serious, complex negotiation, an agreement like this is a product of a lot of hard work and fine tuning, and it takes time, and that's what has happened.

VOICE: Can you explain how the sequencing worked here (inaudible)?

ASSISTANT ATTORNEY GENERAL BINGAMAN: Essentially, the regulators in Illinois and Michigan have underway right now dockets which they are considering to open the local loop, require interconnection, number portability, the other features that are necessary in order to allow competitors to actually operate locally. Those proceedings are ongoing. They have not been completed. All of these parties will have input into them, as will many others.

When those State commissions complete their work in a few months, or whenever it is, actual interconnection will occur, competition will begin. This is the sequence in the order. Ameritech then applies to the Department of Justice for permission to enter long distance based on what has occurred and is occurring in those local markets. We then assess it rapidly. We have 120 days. We have input from all interested parties to break the logjam that has existed for almost 12 years now with the MFJ.

The Justice Department is putting itself on the line with these parties to work closely to do this right, to do it fairly, and to make the tough judgements, and we know they are tough. We don't kid ourselves about this.

At any rate, the sequence then is, presuming all has gone well, there is competition, substantial possibility for additional competition, under the order at that point Ameritech gets into long distance, parties can still go to Judge Greene if they disagree with us, but under the proposed order that the parties signed to the Justice Department makes these judgements, and the reason is they're difficult judgments to make. We are frankly entering uncharted territory, and we'll have to take it as it comes.

VOICE: Are they allowed on a trial basis or a permanent basis?

ASSISTANT ATTORNEY GENERAL BINGAMAN: Trial basis -- it is on a trial basis, and the trial authority can be revoked under

conditions set forth in the order. We would expect and hope that that doesn't happen, but it's there.

VOICE: To what extent is the announcement today driven by your desire to send the Senate, and particularly the Senate Democrats, a message about the deal they struck?

ASSISTANT ATTORNEY GENERAL BINGAMAN: Those of you who have followed this industry know that this is the third round of comments, that we have been working on this well over a year. It has been an arduous process truly. I mean, thousands of hours spent at it. We reached agreement this morning, final agreement.

These are public companies. We are the Department of Justice. And once we have agreement we tell the public we have agreement, and that's what we're doing.

VOICE: Mr. Allen, could you elaborate on some of the things that you'd like see in a permanent model? You were saying that you don't see this as (inaudible)?

MR. ALLEN: I said that this was good as far as it went. There are some matters that are absent from this which -- in this case, one of them doesn't even necessarily have to be a part of this. But if we were to have national legislation on this subject, clearly we would want the opportunity to eliminate the franchise restriction that exists I think still in 40 States or so, where nobody other than the local Bell Company even can get a franchise to offer local service. So that would certainly be something that needs to be incorporated in national legislation.

There are other issues pertaining to various arrangements

for elements of the Bell Company networks to be properly disaggregated and priced. There are issues pertaining to the companies charging themselves the same thing that they charge potential competitors for certain elements of the network. So, there are some details that go beyond that.

But as far as this goes in this particular case and for the trial, I think the model is good.

VOICE: You have become, apparently, at least in some reports, a black sheep among the baby Bells for signing this deal. Some of your colleagues are suggesting that you've given away the store here as far as (inaudible). What have you been telling them?

MR. ALLEN: Well, I think what we've done here is very much in the interest of customers, and therefore in the interest of our shareholders. We have an environment in Illinois and in Michigan which is visionary on the part of our local commissions. The State commissions have provided for local competition. We have filed for unbundling of our networks. They are working towards number portability.

I mean, all of the things that are in this stipulation are in fact occurring as we sit here or stand here today. So, when you say give up, all we are doing is recognizing an existing environment that's in front of us today. That environment may not be the same everywhere in the country. So, I think this is very much a positive for customers.

And, you know, we're twice blessed. If this goes forward,

and we believe it will be successful, that's one blessing. And if we get good legislation on a broader context across the entire country, we'll be doubly blessed.

There are efforts underway, and we see a convergence of events within our industry, that are leading towards solutions under multiple models.

VOICE: Mr. Notabaert, just a couple of thoughts here. The Chicago market (inaudible) all of Cook County, city of Chicago. Can you give us some sort of dollar amount of what kind of market we're talking about? Do you have to hand off a long distance call to another carrier that goes outside the region? Can you explain?

MR. NOTABAERT: To try to give you the context for the Grand Rapids area of Michigan, and for MSA-1 or the greater Chicago metropolitan area, we're talking about 4 million residential and businesses -- 4 million customers that we have access to. We are talking in the neighborhood of over \$3 billion in inter-LATA or long distance revenues.

What we will do is be -- we anticipate being a switch based reseller, and that is if you want -- we will not be building a network from Chicago to Los Angeles. We'll be using someone else's network and we will be putting a switch in so that customers can access that. This gives us the ability to be a full service provider within the framework of long distance, and match that with local exchange services and features for our customers.

VOICE: Mr. Notabaert, this gives you the ability to (inaudible) after the long distance guys will have that ability. In other words, they can offer one stop shopping before you can. That is what the developers said, as far as the legislation goes, they would not accept. Why is that acceptable in this?

MR. NOTABAERT: Well, its happening today. If you were in Chicago today you can buy local telephone service from MFS, Teleport, MCI, and Metro. We have today that type of environment. You know, it's there. What we are doing is recognizing this environment and getting on with it.

The most important part of this is that we are untying the Gordian knot. We are actually starting to get real facts instead of all of the opinions of nay-sayers about the opportunity to expand this communications network.

This is a mature regulated business, but a very immature unregulated business, and competition will cause it to explode even more than it already has.

VOICE: How soon do you expect to be able to get into this long distance (inaudible)? When will that be?

MR. NOTABAERT: Well, if Judge Greene approves the stipulation, what's been sent, with the timeframes that have been laid out by the Justice Department, it's possible that we would be in the long distance business on January 1st.

VOICE: Mr. Allen, you --

ASSISTANT ATTORNEY GENERAL BINGAMAN: Let me say for the Justice Department, this remains to be seen.

(Laughter.)

ASSISTANT ATTORNEY GENERAL BINGAMAN: This is where we're in the murky area, folks. This is what makes a deal is risk, uncertainty, doubt, fear, and confusion.

(Laughter.)

ASSISTANT ATTORNEY GENERAL BINGAMAN: I'm not saying it's not true, I just don't want to stand here and by my silence say it is true. What I commit to the world, seriously speaking, is honest, serious assessment of the actual marketplace facts, the actual competition, the unbundling that has occurred. And what this does -- the things that Dick Notabaert mentioned are going on, more has to happen in those two States. It's proceeding with the State commissions, moving ahead, but it has not happened yet.

Once it does happen we then, the Justice Department, have to assess what's happened on the ground and that's our role. Someone has to look at this.

VOICE: We can go about another three or four questions.

VOICE: Mr. Allen, what would be the estimated date that AT&T will be able to resell local service based on the January 1st date that Mr. Notabaert just gave? And would the terms be better than they are under the Rochester model?

MR. ALLEN: Well, first of all, I'd be very surprised if we could do that -- if they could get the conditions right by January 1, and the Justice Department could make that determination. That would be a new record for a commercial and a Government partnership in this country. And I hope that occurs,

because the sooner the better. But I'd say it would be more likely to be at least late in '96 before that occurs.

And so we can't gate this. It depends on Ameritech's preparing the conditions, it depends on -- assuming we get the judge's approval. Then it depends on the DOJ's assessment of whether the conditions are right and whether we actually have competition and the opportunity for more of it. So, that's just an unanswerable question.

This is so much superior to anything that is currently being demonstrated in Rochester, assuming we can make it work, that the two shouldn't even be discussed in the same paragraph. Rochester is not a good test of local competition.

VOICE: Can I just step in for one second? I think the parties here are being a bit too modest about what they've done. The structure of this model is what's important here. Ameritech now has every incentive to allow local competition to develop, not to gain the regulatory process, not to gain the Congress, but to allow competition to develop so it can go out in the long distance market and offer consumers services it believes are superior.

That is a fundamental shift in this policy debate. It is not what is being talked about on Capitol Hill. And that is, I believe, what is crucial for the public here, that we now have all the players in the market, as they continue to disagree about what will happen, with incentives to offer consumers better services, more services at lower prices, and not to block each

other from markets. That's a fundamental shift.

ASSISTANT ATTORNEY GENERAL BINGAMAN: The only final thing I would add to that is we really are neutral. We're the Justice Department. Our only dog in this fight is competition and doing the right thing, and our role in the middle of this is vital.

We have no interest in delaying it, because that hurts consumers. We have no interest in speeding it up if it's not the right thing to do, and if there's not actual competition with possibility for more.

And so this role in the center for us, from our point of view, is important to say the least.

VOICE: Yes. How concerned is the Clinton administration that the role of the Justice Department will be threatened if the legislation in the Senate on telecommunications passed?

ASSISTANT ATTORNEY GENERAL BINGAMAN: I'll tell you, you've been around the Congress, I'm sure, lots of things happen. It's very early in the legislative process. We're working with them to strengthen the bills that are up there. We're making our views known. It's April 3rd of a new Congress, and there's a long way to go, and we'll continue to work with that process.

VOICE: Just one more. Well, two more.

VOICE: Given that this is a model now for various different regions, should we expect quick action on motions by NYNEX and Pacific Telesis companies (inaudible)?

ASSISTANT ATTORNEY GENERAL BINGAMAN: This motion was filed by the Justice Department. We filed it under Section 7, seeking

Judge Greene's approval, along with a stipulation to entry of the proposed order in the form in which it is entered signed by ourselves, Ameritech, and AT&T. So, the consent of the parties to the decree is on the record to this order.

Any other motions filed like this one would be filed by us, and we've had very preliminary discussions, but frankly until you get through the details of this, this is just devilishly detailed work, and I think it's premature at this point to predict what might happen elsewhere.

VOICE: Last question, please.

VOICE: Could I just ask about all the information superhighway services we hear about, video dial phone, interactive services -- does this matter at all in that process? I know competition may speed up all your efforts in that direction, but is there anything directly affecting those services?

MR. NOTABAERT: It very much matters for Ameritech in the world of electronic commerce -- the ability of companies to bond electronically or to do business electronically, versus the movement of pieces of paper. That has to be done outside of LATAs or this defined calling territory that was set up years ago. And so this gives for those customers within the area, within the trial area, the ability to do electronic commerce and for us to provide those services that did not have that before. But it is within the trial area.

I think it is a very positive thing for commercial

enterprises, very positive.

VOICE: Can I just add to that? I quite agree with that, I think. We've had an artificial separation in the customer's mind between long distance and local service. They are not separable in the context of applying technology, in terms of services that those customers would like to receive.

One thing that has been demonstrated in the long distance market and many other markets is that competition brings new technology, new services, lower costs to consumers every time, and it will. Once this local monopoly bottleneck is broken, it will be here too. We may be partners, we may be competitors in providing some of the services, but it's essential that this happens. So, it will enhance the prospects of those new services.

VOICE: Thank you.

(Whereupon, the press conference ended.)

bingaman: press.con

e-mailed to AB, JI, RW, and SG on 4/3 by TT